

Message Text

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FM SECSTATE WASHDC

TO AMCONSUL HONG KONG

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FOLLOWING REPEAT BUDAPEST 301 ACTION SECSTATE, USDOC, TREASURY,
BUCHAREST, MOSCOW, PRAGUE, SOFIA, VIENNA, WARSAW, FEB. 08,

QUOTE

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E.O. 11652: N/A

TAGS: EFIN, ETRD, HU

SUBJECT: HUNGARIANS UNLOAD NON-CONVERTIBLE CURRENCY

USDOC FOR BEWT; VIENNA FOR EWTC

1. US BUSINESSMAN INTEFVIEWED ON FEB 5 WHO RECEIVED
CONCRETE PROPOSAL FROM HUNGARIAN FOREIGN TRADE COMPANY
(FTO) TO PAY FOR US PRODUCTS IN NON-CONVERTIBLE
CURRENCIES OF THIRD COUNTRY. AFTER TALKING WITH HIS
LONDON-BASED BANKERS HE WAS ABOUT TO CLOSE SALE
DENOMINATED IN CURRENCY OF PEOPLES REPUBLIC OF CHINA.
OTHER NON-CONVERTIBLE CURRENCIES HAD ALSO BEEN MENTIONED
BY FTO.

2. WHEREAS EMBASSY HAS SPECULATED THAT NATIONAL BANK MIGHT
BE TEMPTED TO UNLOAD NON-CONVERTIBLE CURRENCIES ON WESTERN
MARKETS, WE PREVIOUSLY HAD NO REASON TO BELIEVE THAT
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INDIVIDUAL HUNGARIAN FOREIGN TRADE COMPANIESMIGHT BE

PERMITTED TO PAY FOR WESTERN IMPORTS WITH FORINTS OR OTHER
NON-CONVERTIBLE CURRENCY.

3. ON FOLLOWING DAY TWO RANKING OFFICIALS (EI. SZIKLAI, MIN FOR TRADE DIRECTOR FOR DEVELOPED OVERSEAS NON-SOCIALIST COUNTRIES; AND FRIGYES HORCHLER OF INT ECON REL SECRETARIAT OF COUNCIL OF MINISTERS) CONFIRMED TO COMATT THAT SUCH PRACTICES ARE LEGAL AND THAT, PROVIDING CONTRACTS SPECIFY NON-CONVERTIBLE CURRENCY PAYMENT, AMERICAN COMPANIES MAY FREELY ENTER INTO SUCH ARRANGEMENTS. SZIKLAI CLAIMED THAT HE WAS UNAWARE OF SPECIFIC EXAMPLES AND PRESUMED THEY WERE UNUSUAL. BOTH OFFICIALS, HOWEVER, SEEMED TO BE REASSURING COMATT THAT BUSINESSMEN SHOULD FIND SUCH PRACTICES ACCEPTABLE.

4. THIS DEVELOPMENT IS INTERESTING IN THAT IT INDICATES CONTINUING FLEXIBILITY ON PART OF HUNGARIAN FOREIGN EXCHANGE AUTHORITY (NATIONAL BANK). NATIONAL BANK WAS FIRST AMONG COMECON COUNTRIES TO TAP WESTERN CAPITAL MARKETS FOR HARD CURRENCY, AND NOW MAY BE AMONG FIRST TO MORE OR LESS OPENLY UNLOAD SOME SURPLUS NON-CONVERTIBLE CURRENCIES ON WESTERN MARKETS. IT ISINTERESTING ALSO IN THAT INDIVIDUAL TRADING ENTERPRISES MAY BE ALLOWED TO ACT ON THEIR OWN IN DISPOSING OF THESE CURRENCIES IN COMMERCIAL, RATHER THAN FINANCIAL, TRANSACTIONS.

5. IN THIS CONNECTION WE NOTE HUNGARY PRESENTLY HAS UNWANTED ACTIVE BALANCE OFTRADE IN RUBLE AREA AND THAT UNDER NEW FOREIGN EXCHANGE LAW, LAW DECREE NO. 1 OF 1974, WIDE POWERS OF NATIONAL BANK TO MAKE SPECIAL PROVISIONS FOR TRADE ACTIVITY ARE NOT ONLY PRESERVED BUT CLARIFIED. LAW DECREE NO. 1 BEING TRANSMITTED SEPARATELY BY AIRGRAM.
PEDERSON

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